

December 31, 2014

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TO THE CREDITORS AND SHAREHOLDERS OF
CONTESSA PREMIUM FOODS, INC., A DELAWARE CORPORATION:
CITY OF COMMERCE, CA
AND
SEWICKLEY, PA

Re: **GENERAL ASSIGNMENT FOR THE BENEFIT OF CREDITORS**

As we previously advised, Contessa Premium Foods, Inc., a Delaware corporation, executed a general assignment for the benefit of creditors in favor of Development Specialists, Inc., (the "Assignee") on Wednesday, April 30, 2014.

Creditors will recall that General Electric Capital Corporation ("GECC"), as agent and lender under that certain Credit Agreement, dated July 15, 2011 among Contessa, GECC and the other parties thereto (the "Credit Agreement"), had asserted a security interest in all of Contessa's assets. GECC and Farm Credit Mid-America, PCA f/k/a Farm Credit Services of Mid-America, PCA, also asserted liens over certain of Contessa's equipment arising from equipment financing agreements with Contessa. Sun Premium Foods Finance, LP also asserted a junior lien in all of Contessa's assets. The Assignee and its counsel spent considerable time reviewing the secured lenders' security agreements and have confirmed the validity of the asserted liens against the Assignor's assets, therefore entitling the secured lenders to the proceeds of the O.F.I. sale. Prior to executing the Assignment, Creditors will also recall that the aggregate outstanding principal balance due and owing to GECC under the Credit Agreement was approximately \$16,625,000. The equipment financing lenders were owed an additional \$13,100,000. Sun Premium Foods Finance, LP was owed approximately \$3,000,000. The sum of all secured claims was approximately \$32,725,000.

Immediately upon accepting the general assignment, the Assignee began to field inquiries as to Contessa's assets. At the end of a 23-day process, the Assignee accepted an offer from O.F.I., an affiliate of Aqua Star, to acquire substantially all of Contessa's assets, including brand names, inventory, equipment and certain accounts receivable. The purchase price for the assets was approximately \$21,500,000. The sale was approved by Contessa's secured lenders, each of whom agreed to release its liens on its collateral as part of the sale. The sale proceeds were paid to the secured lenders in partial satisfaction of their claims.

The Assignee has received notices for approximately \$1,200,000 of claims under the Perishable Agricultural Commodities Act ("PACA"), which claims are against the proceeds from the sale of the PACA suppliers' products. Pursuant to the terms of PACA, the proceeds from the sale of

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PACA products are held in trust for the PACA suppliers and are not the collateral of GECC or its lending partners. The Assignee has verified each of the claims asserted under PACA and paid the allowed claims from the segregated PACA trust funds.

The Assignee has begun its review of potentially recoverable "preferential transfers" (transfers made by the Company within the ninety days immediately prior to the making of the general assignment) as provided for under California law. To the extent that there are such claims, demand letters will be sent to the affected creditors and every effort made to resolve the demand without the need for litigation. Creditors are reminded that recoveries on preferential transfer claims are not subject to the secured creditor liens and would be available to address administrative claims, priority tax claims and general unsecured creditor claims, to the extent possible.

The last day for creditors to file proofs of claim in this estate was November 10, 2014. Claims in excess of \$26,000,000 were filed with the Assignee by the claims bar date. The Assignee's acceptance of the filed claims is not however a guaranty of recovery on their respective claims as such recovery is dependent on recovery from state preference actions or any other causes of action that might exist. The Assignee's next report will be sent to creditors in approximately ninety days with a further update as to the status of the assignment estate. Creditors are requested to advance their files accordingly.

Very truly yours,

Development Specialists, Inc., solely in its capacity
as Assignee for the Benefit of Creditors of
Contessa Premium Foods, Inc.



By: Matthew P. Sorenson

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